



State of North Carolina

Utilities Commission

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OCT 15 1998

FCC MAIL ROOM

October 14, 1998

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Honorable Magalie Roman Salas
Secretary
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

Re: The North Carolina Utilities Commission's Forward-Looking Economic Cost Study for North State Telephone Company filed pursuant to CC Docket No. 97-160 and 96-45

Dear Secretary Salas:

With respect to the above subject matter, enclosed are the required WordPerfect documents and Excel spreadsheets representing the forward-looking economic cost (FLEC) study proposed by the North Carolina Utilities Commission specifically for North State Telephone Company (North State). These documents are presented as required in the FCC's Public Notice DA 98-217 released February 27, 1998.

FLEC Study for North State Telephone Company:

Disk 1 of 2 contains the output files of the study in Excel and Comma Separated Variable (CSV), as included in the following files:

- (a) report.xls
- (b) lines.xls
- (c) nst-be~1.csv

Disk 2 of 2 contains the input file named "input.xls" in Excel and the text document in WordPerfect 6.1 under the file name "nstusf.wpd".

North Carolina has previously submitted its FLEC studies for BellSouth, Carolina/Central, and GTE. However, North State filed its proposed FLEC study with the

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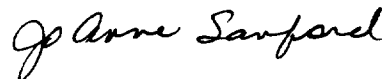
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Commission on May 20, 1998, and though we issued an Order Accepting and Approving North State's FLEC study for submission to the FCC on September 9, 1998, the final documentation required for filing with the FCC was received this week.

North State is a non-rural telecommunications carrier; however, it is substantially smaller than the larger non-rural North Carolina LECs, specifically BellSouth, Carolina/Central, and GTE. The North Carolina Utilities Commission requests the FCC to accept North State's FLEC study for consideration.

Very truly yours,

A handwritten signature in cursive script, reading "Jo Anne Sanford".

Jo Anne Sanford, Chair

Enclosures: Two 3.5" diskettes
Copy of N.C. Utilities Commission's September 9, 1998 Order Accepting and Approving North State's FLEC Study

cc: Sheryl Todd with two 3.5" diskettes
Geneva Thigpen with hard copy of text document

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
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DOCKET NO. P-100, SUB 133b) FCC MAIL ROOM

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of
Establishment of Universal Support)
Mechanisms Pursuant to Section 254)
of the Telecommunications Act of 1996) ORDER GRANTING NORTH STATE'S
MOTION FOR ACCEPTANCE AND
APPROVAL OF ITS FLEC STUDY

BY THE COMMISSION: On May 20, 1998, North State Telephone Company (North State) filed its Motion for Acceptance and Approval of Forward-Looking Economic Cost (FLEC) User Adjustable Inputs and Parameters. In its Motion, North State maintained that it is a non-rural telecommunications carrier within the meaning of the Telecommunications Act of 1996 and, as such, is subject to the same requirements as BellSouth Telecommunications, Inc. (BellSouth), GTE South, Inc. (GTE), and Carolina Telephone and Telegraph Company and Central Telephone Company (Carolina/Central) regarding the submission of federal universal service cost study data. However, North State pointed out that it is substantially smaller than the larger North Carolina local exchange companies (LECs) and is subject to different regulatory treatment at the state and federal levels than the large North Carolina LECs.

The North Carolina Utilities Commission filed its proposed FLEC studies for BellSouth, GTE, and Carolina/Central with the Federal Communications Commission (FCC) on May 26, 1998.

On August 10, 1998, the Public Staff filed its Response to North State's Motion. The Public Staff stated that it agrees that North State is a non-rural telephone company and subject to the same requirements as BellSouth, GTE, and Carolina/Central with regard to the submission of federal universal service cost study data. The Public Staff stated that it concurs with North State's proposal to utilize certain inputs found reasonable for use in determining the cost of providing universal service in areas served by BellSouth. Further, the Public Staff maintained that using BellSouth inputs as surrogates is reasonable in cases where North State does not have service area specific data. The Public Staff stated in its Response that it has reviewed the inputs proposed by North State and believes that certain changes should be made. The Public Staff stated that the most extensive changes involve revisions necessary to reflect the Commission's July 2, 1998 Order on Reconsideration in the FLEC docket. The Public Staff concluded that with the changes recommended in its Response, the Public Staff believes that the Motion filed by North State should be granted by the Commission and that the adjusted inputs and output reports should be filed with the FCC as the forward-looking economic costs for the areas served by North State.

On August 17, 1998, the Chair issued an Order Directing North State to Re-File its Cost Study or File Objections. The Order stated that North State should either re-file its FLEC study based on the Public Staff's August 10, 1998 Response, or file objections to said Response.

On August 28, 1998, North State re-filed its FLEC study in compliance with the Public Staff's Response.

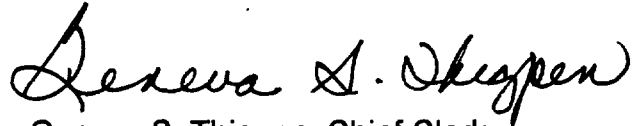
The Commission concludes that it is appropriate to grant North State's Motion for Acceptance and Approval of FLEC User Adjustable Inputs and Parameters. Therefore, the Commission accepts and approves North State's FLEC study filed on August 28, 1998 for submission to the FCC.

IT IS, THEREFORE, SO ORDERED.

ISSUED BY ORDER OF THE COMMISSION.

This the 9th day of September, 1998.

NORTH CAROLINA UTILITIES COMMISSION


Geneva S. Thigpen, Chief Clerk

